

JPRS 77475

27 February 1981

... FBIS 40TH YEAR 1941-81 ...

USSR Report

INTERNATIONAL ECONOMIC RELATIONS

No. 11

FBIS

FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service (NTIS), Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semimonthly by the NTIS, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Indexes to this report (by keyword, author, personal names, title and series) are available through Bell & Howell, Old Mansfield Road, Wooster, Ohio, 44691.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

Soviet books and journal articles displaying a copyright notice are reproduced and sold by NTIS with permission of the copyright agency of the Soviet Union. Permission for further reproduction must be obtained from copyright owner.

FOREIGN BROADCAST INFORMATION SERVICE

**P. O. Box 2604
Washington, D. C. 20013**

26 February 1981

NOTE FROM THE DIRECTOR, FBIS:

Forty years ago, the U.S. Government inaugurated a new service to monitor foreign public broadcasts. A few years later a similar group was established to exploit the foreign press. From the merger of these organizations evolved the present-day FBIS. Our constant goal throughout has been to provide our readers with rapid, accurate, and comprehensive reporting from the public media worldwide.

On behalf of all of us in FBIS I wish to express appreciation to our readers who have guided our efforts throughout the years.

27 February 1981

USSR REPORT
INTERNATIONAL ECONOMIC RELATIONS

No. 11

CONTENTS

TRADE WITH INDUSTRIALIZED COUNTRIES

- Energy To Continue Dominant in Finnish-USSR Trade
(HUFVUDSTADSBLADET, 10 Dec 80)..... 1

TRADE WITH LDC'S

- Equitable Nature of USSR, Iran Economic Ties Noted
(Vladimir Ivanenko; FOREIGN TRADE, No 11, 1980)..... 3

USSR WORLD TRADE

- Global Raw Materials, Energy Problems Viewed
(S. Glebov; MIROVAYA EKONOMIKA I MEZHDUNARODNYYE
OTNOSHENIYA, Oct 80)..... 8
- Role of Soviet Banks Abroad Described
(A. Bondarenko; POD ZNAMENEM LENINIZMA, Nov 80)..... 22

TRADE WITH INDUSTRIALIZED COUNTRIES

ENERGY TO CONTINUE DOMINANT IN FINNISH-USSR TRADE

LD191553 Helsinki HUFVUDSTADSBLADET in Swedish 10 Dec 80 p 17

[Unattributed report: "Trade with Soviet Union to Increase to 24.4 Billion Markkaa Next Year"]

[Text] In Moscow on Tuesday [9 December] Finland and the Soviet Union ratified the contents of next year's trade protocol. According to the protocol the value of next year's trade will rise to over R4.2 billion--around 24.4 billion markkaa. This year the value of trade is expected to amount to R3.8 billion roubles, around 22 billion markkaa.

The trade agreement will in practice take effect from the beginning of next year. The agreement will be signed in Moscow in January in connection with the mixed Finnish-Soviet economic commission's meeting.

The trade agreement, which is the first in the framework agreement period 1981-1985, shows a slight profit for Finland. Trade experts consider that the large deficit which arose last year as a result of the steep energy price rises could be a mere memory next year.

The energy price rises have greatly increased the value of the trade between Finland and the Soviet Union. The total value of trade in the 5-year period now coming to an end will be more than R12 billion, instead of the R9 billion estimated at the beginning of the period.

During the 5-year period now beginning all advance estimates should be exceeded. In the long-term agreement a total of R12 billion was estimated, while the framework agreement mentions R14 billion. According to the most recent estimate the value of the framework agreement for 1981-1985 could even be 20 billion markkaa [as published].

Since the agreement covers reciprocal trade there have been attempts to correct the imbalance brought about by oil price rises through supplementary agreements. If no large price increases occur in the immediate future reciprocal trade should be in balance by the end of next year.

For Finland the trade has meant the chance to pay for even bigger energy imports from the Soviet Union by exports in the future. The new trade protocol shows this clearly in noticeable increases in the most important quotas.

Next year Finland will export goods worth at least 11.3 billion markkaa to the Soviet Union, while imports will be worth at least 11.9 billion markkaa.

When the estimated net effect of the export of services, chiefly the export of projects to the Soviet Union, are added to this we can expect a total trade exchange worth 24.4 billion markkaa according to the Foreign Ministry.

The protocol's total contents were not revealed on Tuesday, merely the total value of a few types of goods. Finland's imports from the Soviet Union next year will continue on the same basis as those for this year, which means that energy imports will continue to be dominant. According to the Foreign Ministry, energy imports will be similar to those of this year.

This year's trade protocol contained a crude oil import quota of 7 million tons, a diesel oil import quota of 1.5-2 million tons and a quota for heavy fuel oil of 1.5 million tons. The quota for natural gas was 1,050 million cubic meters. Finland also imports coal, coke, electricity and nuclear fuel from the Soviet Union.

In the new framework agreement the crude oil quota is 7-7.5 million tons per year to begin with, but rises from 1984 to 7.5-8 million tons per year. This means that crude oil imports will show a marked increase as early as next year.

For natural gas a quota of 1.4 billion cubic meters has been agreed on, but the possibility has also been accepted that the quota may be overstepped in 1983-1985.

The import of plant and machinery from the Soviet Union will continue to the same extent as in the past.

The metal industry's exports next year will rise to a pretty high level. The value of the metal industry's exports next year will exceed 5 billion markkaa, which represents 46 percent of Finland's total exports to the Soviet Union.

Finland will export plant and machinery worth around 2.5 billion markkaa, while the value of the shipbuilding industry's exports will be 2.1 billion markkaa.

The forestry industry accounts for around one quarter of Finland's exports to the Soviet Union. The export of consumer goods will be somewhat greater than normal next year. Shoes, ready-made garments and knitted garments are the largest groups within consumer goods exports, which next year will amount to around 1.2 billion markkaa.

CSO: 1825

TRADE WITH LDC'S

EQUITABLE NATURE OF USSR, IRAN ECONOMIC TIES NOTED

Moscow FOREIGN TRADE in English No 11, 1980 pp 15-18

[Article by Vladimir Ivanenko, executive secretary of the Soviet part of the Standing Soviet-Iranian Commission for Economic Cooperation]

[Text]

These principles in economic relations between the Soviet Union and Iran were laid down by Lenin, the founder of the Soviet State. Soviet-Iranian economic relations have more than a 60-year record. They took shape after the Great October Socialist Revolution, when the young Soviet Republic proclaimed a radically new policy in interstate relations—a policy based on the recognition of the equality of all peoples, the right of oppressed peoples to self-determination and independent economic and social development, the principles of mutual respect for sovereignty.

When the Soviet power commenced developing relations with Iran, it tore up the tsarist Russia's inequitable treaties signed behind the back of the Iranian people and infringing upon their interests. One of the Soviet Government's first documents—the address "To All Working Moslems of Russia and the East" of November 20, 1917, stated that the treaty on the division of Persia was declared null and void.

Economic cooperation between the USSR and Iran dates back to the early 1920s, when our country's potentialities were very limited. Although the Soviet Russia was itself experiencing great economic difficulties, numerous enterprises and oil, fishing and other concessions formerly belonging to the tsarist Russia were handed over freely and without compensation to the Iranian people.

A highly characteristic feature of the economic relations between the two neighbouring countries is that the Soviet Union has never sought monopoly concessions or superprofits in Iran, and has

never attached any political strings to the economic and technical aid rendered by it to Iran.

Economic cooperation between the USSR and Iran has expanded significantly in the past 15 years. Soviet technical aid has contributed to setting up some new modern industries in Iran: ferrous metallurgy, mining and the coal industry, and gas-conveying transport. Much aid has been furnished for the development of heavy machine building, power engineering, for training national personnel, building grain elevators, etc.

Even the mere enumeration of projects involving Soviet-Iranian cooperation (and their number is 147) testifies to the latter's enormous role in developing Iran's economy, in strengthening the country's export potential and providing the population with employment.

The largest project of Soviet-Iranian economic and technical cooperation happens to be the Isfahan iron-and-steel plant with an output of 550,000 tons of steel annually. It is the only metal works in Iran with a complete production cycle. The building of this plant is indisputably a special stage in Iran's economic development. For decades Iran was compelled to buy literally all kinds of metalware—from pins to rails and building reinforcement, in other countries. Iran's appeals for help to Western monopolies were invariably met by their refusal to give aid to enable Iran to get rid itself of the necessity of buying metal articles abroad. The main "argument" for the Western countries' negative attitude to this idea was that Iran supposedly possessed neither iron ore nor coking coals. Numerous expeditions and trips by foreign "experts" in metallurgy cost the Iranian people many million dollars, but they did not bring the plans for setting up Iran's own metallurgy one step nearer to realization.

The Soviet Union showed understanding for this aspiration of Iran. An agreement was signed in 1966, expressing the USSR's consent to give economic and technical assistance to Iran in building an iron-and-steel plant with a raw-material base. Soviet geologists furnished assistance in finding coking coal and iron ore deposits.

In March 1968 the cornerstone of the Isfahan iron-and-steel plant was laid, and in March 1973 it was put into operation. The persistent efforts of

Iranian workers making steady progress in handling metallurgical production which is new to them, as well as the good will and vast experience of their Soviet consultants are behind the fact that the plant has attained its design capacities within a very short time. Two years after commissioning, the plant was operating at full design capacity. The plant's produce—beams and reinforcement for construction has found a large market in Iran and made it possible to cut down significantly the currency expenses sustained by Iran due to the imports of identical products from the capitalist countries.

At present the construction of the plant's second stage with a capacity of about 2 million tons of steel annually is being completed to enable Iran to meet its requirements for metal products to an even greater extent. At the same time work is under way to expand the plant's coal and raw material base by building new coal pits, coal-dressing plants, mines of iron ore and other minerals necessary for metallurgical production, such as quartzites, dolomites, limestone, etc.

Other projects either built or under construction include a mechanical engineering works in Arak, turning out 25,000 tons of products a year; hydroengineering installations at the Araks, a river on the USSR-Iran border; 23 training centres with a capacity of 6,500 places for various specialists; 40 grain elevators with a total capacity of over 800,000 tons of grain; a thermal power station in Ahwaz of 1,260,000 kilowatts, the largest in Iran's south.

In realizing their economic and technical cooperation, the two neighbouring countries are consistently guided by the principles of mutual advantage. Deliveries of Soviet equipment to Iran for

industrial and other projects, as well as services rendered by Soviet organisations in connection with technical aid given to Iran were paid for by Iranian deliveries of gas and other commodities to the USSR.

This gas, brought to the surface during oil extraction, had formerly been uselessly burnt up at Iran's southern oil-fields. According to official data, in the 1913-1978 period as much as over 350,000 million cubic metres of this valuable raw material were burnt up in flares.

In response to Iran's request, the Soviet Union has agreed to receive part of Iranian gas as payment for the services provided by Soviet organisations in connection with technical aid rendered to Iran and as reimbursement of Soviet credits granted to Iran. From 1970 to 1979 over 73,000 million cubic metres of gas was supplied from Iran to the Soviet Union to be used to meet the needs of Soviet Transcaucasian economy.

The Soviet people have shown much sympathy for the antimonarchical and anti-imperialist revolution in Iran. In the period of the revolutionary events Soviet organisations, despite existing

difficulties, continued to provide technical assistance to Iran in the construction and maintenance of projects. The first project commissioned after the February revolution in Iran was the first power unit at the Ramin thermal power station in Ahwaz (Iran's south). This 315,000 kW capacity power unit is functioning well at present. About 1,500 million kWh of electric power have already been produced. Three more power units are being built at present.

With the victory of the anti-imperialist revolution in Iran there have arisen new conditions conducive to the further expansion of mutually-beneficial balanced and long-term economic cooperation between the USSR and Iran.

About six months ago the two sides agreed to resume the work of the Soviet-Iranian Standing Commission for Economic Cooperation to discuss at its meetings some specific problems related to the construction and maintenance of projects according to existing commitments and to agree on new projects for cooperation in the near future.

The first meeting of the Commission following the revolution in Iran was held in June 1980 in Moscow.

During the negotiations, which took place in constructive business-like atmosphere marked by mutual understanding and good will, a number of problems of mutual interest were discussed.

In the first place, organisational problems were dealt with. In view of the new conditions which have arisen in Iran following the antimonarchical revolution, the status of the Soviet-Iranian Commission was revised

and approved to incorporate changes which have taken place in the life of Iran.

Taking account of Iran's problems related to cargo transportation, an agreement was reached on the resumption of the work of the Standing Sub-commission for Transport, and the time was set for the forthcoming meeting of this Sub-commission.

Transport problems deserve special mention. The thing is that on account of the blockade of Iran being carried out by the United States of America and a number of other countries, Iran is experiencing significant difficulties in the transportation of its export and import goods. Therefore, Iran and the Soviet Union, two neighbouring countries, have agreed to cooperate in solving this problem.

The Soviet organisations reported at the Commission's meeting about their readiness to consider, favourably and within the shortest possible time, the questions of transportation of both Soviet commodities and transit cargoes for Iran from Europe and other countries. Provisions have been made to increase cargo transportation by waterways as well as by road and rail transport. The Commission outlined certain projects of transport construction to be jointly carried out by Soviet and Iranian organisations.

After the revolution numerous foreign specialists whose salaries were, on the average, 8-12 times higher than those of the Iranian specialists of similar qualifications, left Iran. This freed the country from the back-breaking burden of paying fabulous sums to foreigners, but there arose the

problem of providing national qualified personnel for industrial and other enterprises.

Correspondingly, the Iranian side requested the Commission to provide assistance in the training of qualified technicians. The Soviet organisations agreed to honour this request by organising vocational-technical training in Iran and by accepting Iranians for training in the Soviet Union. Moreover, the Iranian specialists trained with the USSR's technical assistance are expected to replace foreigners in the country, including Soviet specialists at projects of Soviet-Iranian economic cooperation.

In this connection it is to be emphasized that the USSR has never striven to send Soviet specialists to any country, including Iran, above a certain minimum. The Soviet Union often experiences a shortage of labour in the implementation of its extensive economic development plans. This is why as soon as the Iranian specialists have acquired the skills of handling Soviet-made equipment, the Soviet specialists leave Iran. For instance, the proportion of Soviet specialists in the total labour force employed at the Isfahan iron-and-steel plant in its first years of operation was 4 per cent. Today it has dropped to 2 per cent.

At the Commission's meeting the two sides discussed in detail the problems of trade between our countries and noted that Soviet-Iranian trade, which rests on a mutually advantageous basis, is playing an important role in the development of economic relations between the two countries.

The Commission recommended that broad business contacts be maintained between the respective Iranian and Soviet organisations to review the state of trade and to exchange views about measures to be taken to promote

the growth of trade turnover between the two countries and the conclusion of new mutually beneficial contracts.

In the course of the Commission's session the Soviet side repeatedly pointed out that the USSR has on no occasion imposed its aid on anyone or attached political or other strings to its aid. All projects of Soviet-Iranian cooperation are the property of the Iranian people. These projects are operating and turning out products needed by the Iranian people and are improving the employment situation in the country. This fact was also pointed out by the head of the Iranian delegation in an interview to Soviet radio and television. He said, among other things, that Iran was not rejecting the economic agreements signed with the Soviet Union prior to the revolution, since they promoted the solution of the employment problem for the population and increased industrial production in Iran.

The recent meeting of the Soviet-Iranian Commission was a new step towards the consolidation and development of economic cooperation between the two neighbouring countries, which has always been based on the principle of reciprocal advantage. The Soviet Union has always been the champion of this kind of cooperation between all countries, among them our southern neighbour-Iran. The Soviet Union's attitude towards Iran was amply illustrated by Leonid Brezhnev's telegramme to Ayatollah Khomeini, leader of the Islamic Republic of Iran, on the 60th anniversary of the establishment of diplomatic relations between our countries. It expresses confidence that the progress of Soviet-Iranian relations will continue to proceed along the path of friendship, good-neighbourliness and mutually advantageous cooperation.

GLOBAL RAW MATERIALS, ENERGY PROBLEMS VIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 10, Oct 80 pp 30-43

[Article by S. Glebov: "Problem of Providing Mankind With Raw Material and Energy"¹]

[Text] As an integral part of the natural resources of society, minerals are linked directly to the history of development of its productive forces. The composition and qualitative and quantitative characteristics of raw material and energy sources have changed as a function of change in the needs of human society and the opportunity for it to purposefully influence nature. In order to use natural substances to meet social needs, it is necessary, wrote K. Marx, that the subjects of labor provided by nature "be torn loose from their immediate bond to the earth."²

The physical strength of man is very limited, of course. For this reason, opportunities for using minerals were very few in the early stages of development of social production. Only with repeated multiplication of the mass and diversity of means of labor and the ability to use them productively to influence nature has society acquired the fundamental opportunity to broaden the scope and increase the intensiveness of resources use.

Mineral Resources in Social Production

As the science of natural resources has developed and social productive forces have been improved, changes in people's needs have altered the very opportunities for and limits on the use of various minerals. Thus, people in ancient times used only 18 elements of the Mendeleyev Table, and in the 18th century -- only 29. In the 19th century, the number of elements being utilized by man had reached 54, and in the mid-20th century -- 80 (excluding the transuranium elements).³

-
1. The basis of this article is material from a chapter in the collective monograph "Global'nyye problemy sovremennosti" [Global Problems Today], prepared by the IMEMO [Institute of World Economics and International Relations] of the USSR Academy of Sciences.
 2. K. Marx and F. Engels, "Soch." [Works], Vol 23, p 189.
 3. V. I. Smirnov, "Geologiya poleznykh iskopayemykh" [Mineral Geology], Moscow, 1969, p 8.

As is known, minerals are among the so-called nonrenewable resources of nature, that is, those whose scope of use is incomparably greater than their natural reproduction.

As social production and the consumption of raw material have grown, the list of non-renewable mineral resources has been expanded by those varieties whose natural supply lags sharply behind the scope of their use (Table 1). Quite recently, for example, petroleum could be considered a renewable mineral resource, as overall reserves were increasing as a result of regeneration prior to the start of consumption in industry, power engineering, transport and in households in the second half of the 19th century. But now the natural increment in natural reserves of petroleum is insignificantly small in comparison with the amounts being extracted, so it can with full justification be considered a typical nonrenewable mineral resource.

Table 1. World Mineral Regeneration and Extraction (in 1,000 tons per year)*

	Regeneration (1)	Extraction (2)	2:1
Iron	25,000	319,000	12.8
Copper	375	4,460	11.9
Zinc	370	3,930	10.6
Lead	180	2,330	12.9
Nickel	300	358	1.2
Tin	1.5	166	110.7
Phosphorous	180	6,500	36.1

* Sedimentary deposits from river run-off

Source: THE AMERICAN SCIENTIST, May-June 1974, p 287.

For social production, the braking influence of mineral resources nonrenewability decreases as productive forces develop, as resources extraction and processing equipment and technology are improved, and also in connection with the creation and increasingly extensive use of diverse artificial and synthetic mineral substitutes, with the use of so-called alternative, abundant sources of raw material and energy instead of rare and in the long term nonexistent sources: plastics to replace metals; coal, nuclear and other nontraditional types of energy to replace petroleum and natural gas. Opportunities are increasing for the purposeful use of materials now in use, for drawing substandard and inconveniently situated deposits into economic circulation. Freedom in resources use grows correspondingly, and its natural base and the base created by people are broadened. In so doing, the diversity of the social demands for raw material and of ways of meeting those demands are multiplied.

The direct contribution of initial involvement (extraction, enrichment at extraction sites) of minerals in aggregate social production is comparatively small in quantitative terms. Extractive industry output is a small (approximately four percent) and decreasing proportion of the world social product. But this testifies not so much to a reduction in the importance of mineral resources as to the fact that in the course of and as a result of economic development, mankind is spending an increasingly small proportion of its socially necessary labor on detaching the subjects of labor provided by nature from the natural environment, on drawing minerals into industrial processing.

In combination with disproportionality in the development of individual parts of the world economy, unevenness in the distribution of mineral resources results in a sharp

incongruity between the resources of many countries and the level of productive forces they have achieved and the level of demand of social production for raw material and fuel. This is often a source of serious difficulties and conflicts, including those of an international nature. The shaping of a world market, and then of a world economy, has played a very substantial role in weakening the dependence of the economies of individual states on the availability of mineral resources within their countries. As a result, all countries have received some potential access to the mineral resources needed for their economic development even though corresponding deposits of such resources may not be available to them locally.

In this connection, can it be maintained that the availability of mineral resources has ceased to provide advantages to those nations and states with such resources? The natural resources of a given country can stimulate its economy more successfully than broader aggregate opportunities for the efficient development and comprehensive utilization of natural deposits and their use as raw material and fuel. Therefore, given intensified international division of labor and stronger world economic ties, in order to obtain special advantages in the area of economic development, it is obviously far from sufficient and at the same time not absolutely necessary that an individual state have considerable natural resources itself. Such advantages are determined in considerably greater measure by the amount and quality of manpower resources and by scientific-technical, production and financial opportunities.

The importance of mineral resources to social production is changing dialectically. Expansion of the natural base of production is not occurring smoothly, in a straight line. Periods of more or less prolonged evolutionary development alternate with conflict "gradation gaps." Thus, the exacerbation of contradictions in the field of energy supply now being observed is a sign of gradual exhaustion of opportunities for continuing to develop society's productive forces on the energy basis which had evolved over preceding decades. It predetermines a serious restructuring of this basis and, by the same token, removal, on a global level, of the given type of limitations on growth in productive forces similar to what happened at one time when the crisis due to exhaustion of wood-fuel resources was overcome by the large-scale transition to the industrial use of anthracite and subsequently to petroleum and gas.

Global Reasons for the Energy Problem

What have the worldwide, natural-history reasons for exacerbation of the world energy and raw material problem in the second half of the 20th century been? Chief among them we should single out the high-volume, accelerated growth in the scale of involvement of natural resources in economic circulation, the relatively limited amount of natural resources suitable for efficient utilization given the current level of knowledge and technology, the incongruity between the territorial distribution of mineral deposits accessible for profitable use and the basic centers of energy and raw material use.

Social production growth, by predetermining the necessity of rapid expansion of qualitative change in its natural basis, of increasing the intensiveness of resources use, and of up-dating equipment and technology, has objectively helped increase the complexity of the energy and raw materials problem. Meeting the demands of social production and consumption in each particular period of development of human society is limited by the level of scientific and technical base it has achieved, by its economy, and hence by the corresponding limited availability of natural resources. Expansion of these boundaries frequently demands a sharp increase in social expenses

on exploiting natural resources, which is associated with changes in the structure of the economy. The reference is thus to limited natural resources at a given level of knowledge and technology. This relative, historically determined, limited availability of natural resources should not be identified with an absolute lack of individual types of fuel and raw material.

Present scientific thinking is that in the long term, world energy production will not experience limitations in natural resources. It is expected that by the middle of the next century, nuclear (fission or thermonuclear reactors) and solar energy will be the main energy systems. The tendency for energy production outlays to grow will be curtailed with the creation of such systems. In view of what specialists consider to be the inescapable reduction in annual petroleum extraction, we will have to go through a transition period by the end of this century, and perhaps earlier, in the next two decades. Considerably greater use will be made of other types of mineral fuel throughout this period, and of coal and nuclear energy (fission reactors) in particular, until we are fully reoriented towards the new energy base. This transition will include a substantial restructuring of the entire energy-consuming complex of equipment and technology.

The transition from a power engineering based on petroleum to the new power engineering system might take at least half a century, specialists estimate, and that half a century will be filled with various kinds of crisis situations.¹ And the physical and in principle unlimited nature of energy resources which might be available in the future with moderate outlays does not rid us of the necessity of developing and carrying out a purposeful energy policy. That has actually been transformed into an important direction in the activity of modern states.

As concerns nonenergy raw material, a number of research projects, including ones at such prestigious institutions as the OECD, U.S. Bureau of Mines and University of Pennsylvania (USA) refute the hypothesis that we are threatened by mineral resources depletion (see Table 2).

Table 2. Meeting World Demand for Commercial Mineral Reserves

	relation of 1976 reserves to demand			relation of 1976 reserves to demand	
	1976	1976-2000		1976	1976-2000
iron	194	5.1	molybdenum	108	2.2
copper	54	1.4	nickel	83	2.2
lead	29	1.2	tantalum	60	1.8
tin	42	1.5	tungsten	57	1.4
zinc	27	0.9	vanadium	300	8.2
aluminum	200	6.2	bismuth	30	0.8
titanium	300	4.4	mercury	30	0.9
chromium	300	10.3	silver	20	0.6
cobalt	44	1.3	platinum	110	3.1
columbite	800	17	asbestos	22	0.5
manganese	185	4.6			

(Source: see footnote 1, below, p 46)

1. "Interfutures. Facing the Future: Mastering the Probable and Managing the Unpredictable," OECD, Paris, 1979, p 26.

The cumulative world demand for the most important minerals expected in the last quarter of the century can be more than met, with few exceptions, according to these estimates, even with the commercial reserves available in 1976, not to mention the many-fold greater amount of known potential resources (for a majority of minerals).

Reserves and resources are mobile values, due not just to the continuous multiplication of geological knowledge, but also to change in economic parameters. Expressed in absolute indicators (as for example, tons of metal or other usable substance), reserves and resources depend on price dynamics, outlays on extraction, enrichment, processing and transport, given unchanged technology, and also on corresponding technological advances. But expressed in relative indicators (in comparison with demand, let's say), those same reserves and resources also depend on demand dynamics at unchanged prices, on price elasticity and on possible changes in prices for substitutes. In stressing these circumstances, the authors of the forecast given in Table 2 recommend that a very cautious attitude be taken towards interpreting these indicators.

For example, does the 0.6 coefficient hypothetically describing the silver situation signify that reserves of this metal will have disappeared from our planet by approximately 1990? No, at least based on the probability that seabed and other reserves known but not yet suitable for profitable development will move into the category of commercial reserves. Thus, a comparison of the anticipated cumulative demand for silver in 1976-2000 and the potential silver resources in 1976 raises the "availability" coefficient from 0.6 to 1.6.¹ This reasoning is also justified relative to practically all types of minerals (except for mercury and asbestos) whose separate availability indicators might cause doubt as to the unlimited nature of society's potential resource base.

However, the authors of the OECD report note that even were asbestos, bismuth or other comparatively rare minerals (such as fluorite, germanium, graphite, gypsum, indium or mica, for example) to completely disappear, we could doubtless do without these minerals from a technological point of view. A shortage is not revealed in a single day, and there is always the possibility of a transition period in which the price of a raw material in short supply will rise and substitutes will be found. Consumption will decrease first of all in nonessential areas, which will in and of itself increase the "availability" of a given type of raw material for important areas of its use.

So there is no worldwide or absolute shortage of raw material and none is foreseen from the scientific point of view. However, there are and unavoidably will be difficulties in meeting the needs of social production for individual types of raw material and energy, which faces the world economy, engineering and science with serious tasks.

The intensified disproportionality in the distribution of mineral resources and productive forces helps to aggravate the energy and raw material problem objectively. As the international division of labor deepens and as world economic ties broaden, the dependence of the development of productive forces in any given country on its natural resources as a whole is weakened. However, the role of foreign economic relations -- trade, investment, scientific-technical, currency-financial and others --

1. "Interfutures," p 45.

in resources use is growing sharply. This reflects intensification of the interdependence which naturally stems from the specialization of sovereign countries in the world economy.

Socioeconomic Essence of the Energy and Raw Material Problem of Capitalism.

The problem of providing mankind with raw material and energy goes far beyond the area of the interaction between nature and society's productive forces. This problem is directly associated with the specifics of society's production relations, which determine the social essence and forms of interrelationships between man and nature. "In order to produce," wrote K. Marx, "people enter into certain bonds and relationships, and their relationship with nature exists and production occurs only within the framework of these social bonds and relationships."¹

The property relations inherent to a given socioeconomic formation thus exert a decisive influence on resources-use processes. It is the very nature of the social and production relations of capitalism and the patterns of productive forces development inherent to it that are the main reasons for the extreme exacerbation of the energy and raw material problem in the nonsocialist world, up to and including crisis situations.

In the 1970's, the energy and raw material supply of the world capitalist economy suffered a number of serious disruptions. In 1973-1974, a relative shortage of fuel and many types of raw material which was unprecedented in size and consequences was discovered. As a result of fuel and raw material price jumps, there occurred an unusually large break in the long-term price proportions of international economic exchange (Table 3).

Table 3. World Capitalist Market Price Dynamics (1975 = 100)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
1 Промышленные изделия	54	57	61	72	89	100	109	125	143	
2 Топливо	17	21	23	31	97	105	116	117	165	
3 2:1	31	37	38	43	109	105	105	94	115	
4 Нефть	15	19	22	29	100	106	117	117	170	
5 4:1	28	33	36	40	112	106	107	94	119	
6 Природный газ		37	34	31	37	118	128	125	131	
7 6:1		65	56	71	64	118	117	100	92	
8 Уголь	31	36	37	48	85	95	100	106	112	
9 8:1	57	63	61	67	96	95	99	85	78	
10 Полезные ископаемые, исключая нефть		39	39	51	76	99	101	100	108	
11 10:1		68	64	72	115	99	93	80	78	

1. K. Marx and F. Engels, "Soch.," Vol 6, p 441.

Table 3 (continued):

12 Железная руда	46	56	55	70	80	96	92	87	102
13 12 : 1	85	98	90	97	90	96	84	70	71
14 Хромовая руда		41	41	37	45	109	109	109	100
15 14 : 1		72	67	51	51	100	100	87	76
16 Марганцевая руда	38	46	44	54	53	103	105	99	96
17 16 : 1	70	81	72	75	93	103	96	79	67
18 Неметаллические руды	17	17	17	20	77	71	58	52	53
19 18 : 1	31	30	18	28	87	71	58	42	37
20 Цветные металлы	87	74	74	106	131	109	117	126	167
21 20 : 1	161	130	121	147	147	100	107	101	117
22 Алюминий	71	72	67	68	87	104	131	149	173
23 22 : 1	131	126	110	94	98	104	120	119	121
24 Медь	115	88	87	145	167	114	106	111	161
25 24 : 1	213	154	143	201	188	114	97	89	113
26 Никель		64	67	74	84	109	115	113	146
27 26 : 1		112	110	103	94	109	106	90	102
28 Свинец	73	62	73	100	137	108	148	162	276
29 28 : 1	135	109	120	139	154	108	136	130	193
30 Цинк	38	42	51	100	147	98	82	80	102
31 30 : 1	70	74	84	139	165	98	75	64	71
32 Олово	53	51	55	70	118	112	159	189	223
33 32 : 1	98	89	90	97	133	112	146	151	156

Key:

- | | |
|-----------------------------------|-----------------------|
| 1. Manufactured goods | 18. Nonmetallic ores |
| 2. Fuel | 20. Nonferrous metals |
| 4. Petroleum | 22. Aluminum |
| 6. Natural gas | 24. Copper |
| 8. Coal | 26. Nickel |
| 10. Minerals, excluding petroleum | 28. Lead |
| 12. Iron ore | 30. Zinc |
| 14. Chromium ore | 32. Tin |
| 16. Manganese ore | |

Calculated from: MONTHLY BULLETIN OF STATISTICS, April 1980, p 162; "Handbook of International Trade and Development Statistics," United Nations, New York, 1976.

[Key numbering system follows original in Table.]

Capitalist business and political circles became alarmed as never before about the depletion of nonrenewable natural resources. The contradictions between the industrially developed capitalist countries and the developing states in the area of natural resources use and raw material trade were sharply aggravated. A new knot of contradictions between the growing social requirements for energy and raw material and the capitalist methods of supplying resources drew ever tighter. Exacerbation of this contradiction, which expresses the essence of the energy and raw material problem of capitalism, was the cause of its growing into a crisis in the mid-1970's.

The primary feature of the energy and raw material crisis of capitalism in the 1970's was the coinciding of an exacerbation of the conflict between the developed capitalist countries and the developing countries based on destruction of the traditional relations of domination and subordination, including in the energy and raw material sector of the world capitalist economy, with cyclical tremors in the economy, which have been strongest in the post-war period.

In the late 1970's and early 1980's, the extreme urgency of the energy and raw material problem has diminished somewhat. There are adequate supplies of fuel and raw material in the world market and the price relationships of many types of nonenergy raw material and finished products approximate the levels characteristic of the post-war period. However, the seriousness of the energy and raw material problem remains, especially in interrelationships between the developed capitalist states which are net importers of petroleum and the developing countries exporting it.

The unavoidability of crisis exacerbations of the energy and raw material situation result objectively from the specifics of world capitalist economic development. The unstable system of economic and political relations between states and transnational corporations, which is aimed foremost at enriching international capital, does not ensure conditions for the uninterrupted development of the energy and raw material sector of the economy of the nonsocialist world. The cyclical nature of the energy and raw material economy as an integral part of the capitalist economy, and with it the random, unpredictable sequence of periods of energy and raw material overproduction and shortage and the sharp fluctuations in world prices, often destructive to the economies of individual branches and states, have not been eliminated.

In the atmosphere of exacerbation of the energy and raw material problem, the bourgeois states have appreciably increased their anti-crisis measures at the national level and in international relations. Long-range forecasting and planning in individual states and within groups of countries has become widespread. However, under capitalist conditions, the actual results of this kind of activity are very limited. One example would be the failure of the many energy programs systematically put forward in the 1970's by three U.S. presidents, R. Nixon, G. Ford and J. Carter. Intensifying the economic function of a bourgeois state sometimes smoothes out somewhat the cyclical and market-place disproportions in developing the energy and raw material economy and the crisis phenomena accompanying them, but it does not eliminate them.

At the same time, it should be noted that under pressure from workers organized into political parties and trade unions, and while trying to ensure that normal conditions are maintained for reproducing social capital, a bourgeois state will in a number of instances set up barriers to the especially rapacious use of natural resources by individual monopolies or groups of monopolies. Using the budget and a system of special institutions, the bourgeois state stimulates the search for and development of

natural resources both on its own territory and in other capitalist countries rich in minerals where the investment climate is favorable (USA, Canada, Australia, UAR and a number of Latin American countries). The state participates actively in financing scientific research and development in the extraction, processing and economical use of raw material and energy.

In the USA, Japan and Western European countries, the state finances the creation of fuel and mineral raw material reserves, works out energy and raw material security programs using foreign economic channels and provides long-term credit for private capital investments in raw material and fuel extraction in the developing countries. In this way, state-monopolistic regulation can facilitate smoothing out to an extent the contradictions of capitalist resource use at the national and regional (European Economic Community, USA - Canada) levels.

The situation is more complex in regulating the world capitalist economy. Attempts of this kind based on international organizations created by the capitalist powers or under their aegis, including the Organization for Economic Cooperation and Development (OECD), International Energy Agency (IEA) and others, have encountered very strong resistance from monopolist capital, and foremost from the transnational corporations. The transnationals control access to sources of raw material and prices for many minerals in the world capitalist market, including such important minerals as bauxites, molybdenum, nickel, platinum and chromium (see Table 4). The transnationals often arrange with the government of the country of origin of the lead company to oppose foreign purchasers, especially during periods of exacerbation of international economic and political conflicts.

Table 4. Monopolistic Concentration of Raw Material Production in the Non-socialist World (in the mid-1970's)

	share of the largest corporations (in %)			number of companies controlling 65 per-cent of production
	one	two	three	
bauxites	17.0	35.0	48.2	9
alumina	22.7	46.1	65.2	5
aluminum	15.3	34.4	48.8	11
molybdenum (ore)	41.9	59.8	71.6	4
chromium (ore)	16.5	41.0	53.7	9
nickel	35.4	54.2	62.4	6
platinum	48.8	91.5	96.5	2

(Source: "Interfutures," p 52)

The importance of the world economic sphere of regulation of the energy and raw material complex is growing in view of the progressive internationalization of economic life in general and of resources use in particular. The dependence of the main centers of capitalism on deliveries of fuel and mineral raw material from the developing countries has intensified appreciably in recent decades. This has been an important factor in exacerbating the energy and raw material problem of capitalism now that politically sovereign states are using the natural resources they possess as a means of anti-imperialist struggle to transform international economic relations.

The capitalist powers have taken bilateral and multilateral steps aimed at more closely "linking" the developing countries with natural resources and facilities to process them with the world capitalist economic system, at strengthening asymmetrical interstate economic interdependence.

A majority of the developing countries, on the other hand, are trying to establish effective national sovereignty and control over their natural resources, over extraction and marketing raw material in foreign markets. The developing states are encouraging geological surveying work on their territories and the creation of national or mixed raw material and fuel extraction enterprises and enterprises for initial or subsequent processing of minerals, viewing this as an integral part of their economic and social development programs. The young states are trying to increase export revenues and increase their influence on price-formation processes in world raw material and fuel markets, primarily by coordinating their actions and by acting in concert, both in the commercial area and in the foreign policy area.

Given the high allotment of various minerals on their territories, the developing countries are experiencing a critical shortage of financing and materials, equipment, and the skilled personnel needed for effective utilization of their natural wealth. The branch structure of their energy and raw material economy is generally limited and one-sided, a natural result of the nature of the exploitation in their colonial past and its modernized methods as practiced by international monopolist capital.

The low level of development of productive forces is the primary reason for underutilization or one-sided exploitation of the resources of the developing countries. The situation is aggravated by the consequences and survivals of a colonial production structure, by its socioeconomic backwardness. As a result, many of these countries are experiencing a considerable and frequently rising deficit in fuel and mineral raw material.

The crisis in capitalist resources use is a crisis in the system of international capitalist division of labor. Forces interested in changes have found and are mastering the weapons of economic and political struggle to restructure this system. At the same time, their opponents have not yet lost the ability to resist and go on the counter-attack from time to time in individual sectors. The mechanism created by the monopolies for extracting and distributing minerals within the framework of the world capitalist economy comes under pressure again and again from those of its subjects striving at any cost, including the use of force, to preserve the basic outlines of that mechanism. The frontal collisions between Western diplomacy and the developing countries in such international forums as the UN Conference on Trade and Development (UNCTAD) and the North - South Conference in Paris, for example, are clear manifestations of this. In the area of bilateral relations, the 1979-1980 Iran-American conflict is the deepest and most far-reaching in its consequences. The energy and raw material problem interacted with the crisis in relations of domination and subordination, with the deepening overall crisis of capitalism as a socioeconomic system.

Bourgeois science veils the socioeconomic essence of the energy and raw material problem of capitalism. In this regard, attention is focused on just one aspect of the problem, its natural-history causes which are worldwide in nature and linked to the objective processes of development of productive forces. As a result, the socioeconomic specifics of capitalist resources use, and in particular its unavoidable

development through crises, have been absolutized as a universal law equally inherent to all links in its worldwide economy. But scientific research on problems of worldwide importance assumes a precise division between global aspects and those determined by the specific conditions of a concrete social structure.

The Approach of the Socialist Community

"We in no way rule nature...", wrote F. Engels. "We do not rule it as if we were outside nature..., our only dominion over it is that we, as distinct from all other living things, are able to understand its laws and use them correctly."¹ The countries of the socialist community are allotted different reserves of materials and fuel by nature. It is not, of course, a matter of indifference to socialist society and to individual states and enterprises what it costs to obtain raw material and fuel, to deliver it from extraction sites to places of consumption. In the Soviet Union, one of the states best provided with natural resources, the overwhelming majority of the mineral reserves thus far revealed is in the eastern portion, beyond the Urals, with consumption concentrated in the European portion. Thus, socialism, too, is encountering an energy and raw materials problem, but socialist ownership and its planned economic system provide society with an opportunity to effectively solve complex problems of interaction with nature.

A profound awareness of the objective laws of interaction of society and nature, regulating resources use in the interests of the comprehensive development of mankind and making it more efficient are necessary conditions for successful solution of the energy and raw materials problem. The high rates of growth in the demand for energy and raw material, the lack of sufficient resources which can now be utilized profitably and uneven resources distribution -- all this makes increased demands on the scientific level of planning, including long-range planning, as well as on coordination of the national economic plans of the socialist community.

The question of the socialist countries' position regarding the world energy and raw materials problem is of important significance in evaluating prospects for developing the world economy and world economic relations. Precisely what aspects of the complex world energy and raw materials problem can actually be influenced in a positive way by the socialist states, in what ways and along what lines?

The dynamics and proportions of capitalist reproduction as a whole and in the energy and raw materials sector in particular and the economic relations between the industrially developed capitalist countries and the developing countries, between states and monopolies, are shaped and change in conformity with the laws operating in the world capitalist economy. Socialism influences these processes first of all through its economic ties with the world of capitalism. In a number of instances, this influence is quite substantial. For example, deliveries of petroleum, natural gas, ferrous and a number of nonferrous metals and chemical raw material from the USSR to capitalist countries on a long-term, stable basis have become a factor of considerable importance in meeting the energy and raw materials requirements of the FRG, France, Italy, Finland, Japan, the USA and a number of other countries.

The economic cooperation of CEMA member-nations with the developing countries not only eases the energy and raw material situation of the latter, but is also an example of mutually advantageous international economic relations based on equal rights and is an important factor in the struggle of the countries of Asia, Africa and Latin

1. K. Marx and F. Engels, "Soch.," Vol 20, p 496.

America for a progressive new international economic order. Expansion of trade and economic relations between the socialist and developing states signifies a narrowing of the sphere of operation of monopolist capital. The participation of the socialist countries in the work of a number of international organizations is also aimed at a just resolution of the energy and raw materials problem within the framework of the nonsocialist part of the world.

Growth in the role of the socialist countries in world scientific and technical progress and economic development is an objective basis for intensifying their positive influence on resolving the global energy and raw materials problem. In this regard, we could make special mention of various levels of activity and channels of such influence corresponding to them: national economic, integrational (CEMA) and world.

At the national economic level, the efforts of the socialist countries to solve the energy and raw material supply problems encompass the entire resources use cycle from surveying to final consumption and the use of recovered raw material. These efforts are aimed at long range planning to make national economic structures more efficient with consideration of the known and assumed amounts, quality and diversity of resources, on the one hand, and opportunities for participating effectively in the international division of labor as buyers and sellers of fuel and raw material, on the other. In minerals extraction, a most important role is given over to increasing the effectiveness of surveying and prospecting, to improving the equipment available to them, to ensuring outstripping growth in proven mineral reserves as compared with the rates of development of extractive branches, and to the intelligent, comprehensive use of mineral deposits.

In the socialist states, reducing fuel and raw material losses in extraction and processing to a minimum, mastering and disseminating progressive, waste-free technologies with few operations (geotechnological methods of working deposits, dumpless processing of ores and concentrates, metallurgy which does not use blast furnaces) are important national economic tasks. Given growth in the load on our natural potential, the development and dissemination of synthetic fuels and raw material have acquired broad scope.

In order to accelerate the resolution of the tasks enumerated, we are intensively developing scientific principles for the intelligent use and protection of mineral wealth and are taking comprehensive steps to improve the organization, planning and economic stimulation of the thrifty, effective use of natural resources.

The USSR plays a large international role as a major consumer and exporter of fuel and raw material commodities circulating in the world market.

The export opportunities of the USSR can be increased with the participation of partners in developing additional mineral resources within the Soviet Union, including on the basis of long-term compensatory-type agreements. In the late 1970's, there were dozens of such agreements in force between Soviet organizations and companies in capitalist countries.

Growth in imports of raw material into the USSR is realistic and promising, as the USSR has become a net importer of many raw materials, including those from the developing countries. The Soviet Union has accumulated considerable experience in helping develop power engineering and materials-producing branches of industry in

the liberated states. Thus, the USSR's role in building the Aswan and Euphrates hydroelectric power-generating facilities, in developing petroleum and gas industry in Iraq and India, and in creating very large ferrous and nonferrous metallurgy facilities in India, Turkey, Algiers, Nigeria and a number of other countries, is well-known.

The basic directions of joint activity by the socialist countries to solve the energy and raw materials problem within the framework of the Council for Economic Mutual Assistance were defined by the 32nd CEMA Session (1978) using the target-program method. Among them are the coordinated modernization of national economic structures and making socialist international division of labor more efficient with consideration of the energy and raw materials security of participating countries and oriented towards the better use of the achievements and opportunities offered by scientific and technical progress.

Implementation of the "Long-Term Target Program of Cooperation in the Fields of Energy, Fuel and Raw Material" approved by the 32nd CEMA Session is of special importance. The program anticipates geological surveying work by the countries concerned to increase known reserves of needed fuel and raw material resources, the development of production capacities to extract raw material and energy sources and to produce electric power in countries possessing considerable natural resources, the development of nuclear power engineering, and research, development and industrial application of methods of obtaining synthetic types of fuel and materials.

The object of this program is to increase the efficiency of the amounts and structure of energy and raw materials production and deliveries and consumption of its output with consideration of opportunities for division of labor on a CEMA scale. In particular, we plan to combine the capital investments of the countries concerned to expand production of ferrous metals (in the USSR), nonferrous metals (in the USSR and Cuba) and phosphorous-bearing output (in the Mongolian People's Republic). We anticipate construction of nuclear power plants with a total capacity of up to 37 million kilowatts in European CEMA member-nations and in Cuba and continued development of unified electric power systems in accord with the 1977 general agreement.

The program includes steps to jointly develop, utilize and disseminate energy- and materials-conserving technology and equipment, which will enable us to ease the tautness in the energy and raw materials balances of the participating countries. At the same time, we plan to increase the extraction and improve the use of fuel (solid fuel in particular) and raw material everywhere we have reserves which can be developed profitably, to process petroleum more thoroughly, to increase the percentage of light petroleum products to 60-65 percent as against the less than 50 percent now produced, and to limit inefficient international flows of metal-bearing raw material with low levels of concentration in favor of increased exchange of metals.

An important long-range direction is joint participation in developing the natural resources of the developing countries and instituting large-scale, long-term industrial cooperation relations with them. It is considered possible that such ties could also be established with industrial capitalist states interested in the commercial application of advanced equipment and technology. Cooperation among socialist countries in the scientific development of power engineering problems includes the creation of promising technical means of utilizing new energy sources and new methods of converting and transmitting that energy. Its basic forms and directions were outlined by the program and CEMA member-nation scientific-technical cooperation

to solve fuel and energy problems through 1989. Research on the intelligent use of mineral resources is also being coordinated by the program of cooperation by concerned countries on the problem of a global environment monitoring system. The potential of joint research on natural resources using the space facilities of the "Interkosmos" program is considerable.

Experience in solving problems of meeting the need for energy and raw material with minimal outlays is of importance to the socialist community as a whole and to its individual members, given a socially just distribution of the growing expenditure burden. In recent years, a whole series of directions of socialist state participation in solving the energy and raw materials problem on a worldwide level has been developed. Thus, information is being exchanged on scientific-technical achievements and policies in the area of natural resources use and corresponding consultations are being held with the states concerned. The Soviet Union is an indispensable, active participant in discussions of energy and raw materials problems in the UN and other representative international organizations (the World Energy Conference, World Petroleum Congress, International Gas Union and others).

The first steps have already been taken in cooperating with nonsocialist countries on geological research on and utilization of mineral resources, especially in remote land areas and in the world ocean, using the latest methods and procedures. The socialist countries participate actively in developing international conventions on legal procedures for mineral resources prospecting and mining on the ocean floor which falls within national jurisdiction. They have achieved the adoption of such constructive resolutions as will block monopolistic practices in the international zone of the world ocean and help all countries use its resources on a fair basis and with equal rights.

CEMA countries have put forward an initiative on international cooperation to broaden the material-technical base of energy production and transmission, on researching and developing new energy sources and consuming them intelligently, including the formation of a European energy system. The USSR and other socialist states favor cooperation in the development and commercial use of low-waste and no-waste types of production, in creating artificial materials with pre-assigned properties to save natural raw material, especially raw materials in short supply.

CEMA countries are helping normalize world raw material markets, in particular by participating in implementing the provisions of the integrated raw material program adopted by UNCTAD. It is aimed at ensuring stable raw material international trade conditions, including the elimination of extreme price fluctuations and maintaining prices at levels which will really be advantageous and fair to producers and consumers.

So, relying on public ownership of natural resources and means of production and a planned economic system, the states of the socialist community are solving the energy and raw materials problem in the interests of all their citizens, with a socially just distribution of the growing outlays on utilizing mineral resources and resources as a whole. At the same time, the socialist community actively supports international cooperation in this area, so important to all mankind. Practical implementation of the socialist countries' policy of peace and detente and improvement in the political prerequisites of scientific-technical, industrial, trade and economic cooperation among states with different social systems are factors necessary to overcoming a number of serious obstacles to solving the global energy and raw material problem.

COPYRIGHT: Izdatel'stvo "Pravda", "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1980

USSR WORLD TRADE

ROLE OF SOVIET BANKS ABROAD DESCRIBED

Kiev POD ZNAMENEM LENINIZMA in Russian No 22, Nov 80 pp 71-72

[Article by A. Bondarenko: "Soviet Banks Abroad"]

[Excerpts] Soviet banks abroad play an important role in developing USSR trade and economic ties with foreign countries.

Special commercial Soviet banks have been created in recent years in the FRG, Austria, Switzerland and Luxemburg, and Mosnarbank [Moscow People's Bank] departments have been opened in Singapore and Lebanon to serve foreign trade and other forms of USSR economic ties with the capitalist and developing states.

These banks are joint-stock companies and operate within the framework of the legislation of the corresponding countries. They are subject to local laws and limitations, observe the traditions and rules existing in these countries in the area of banking operations, pay taxes and enjoy all the privileges available in these countries.

Their shareholders are Soviet banks, foreign trade and other economic organizations which set the direction of USSR banking institution policies and activities abroad.

Each Soviet bank abroad conducts operations to attract capital in the form of freely convertible foreign exchange in local and international money markets, as well as at banks of other countries. This enables them to grant direct loans to banks of the socialist countries, including the MBES [International Bank for Economic Cooperation] and MIB [International Investment Bank], and to grant credit to companies in capitalist and developing states trading with the USSR and other countries in the socialist community.

Soviet banks abroad finance some measures in the countries they are in, conduct foreign exchange arbitration, help shape the consumer market to market goods from the socialist countries.

The Mosnarbank is the leading means of financing East-West trade. Founded in October 1919 with capitalization of 250,000 pounds sterling, this bank is now among the top 10 banks in England in terms of operations volume and profit, and it has the reputation of a first-class international bank. As of 1 January 1977, the paid capital of the Mosnarbank was 36.5 million pounds sterling and the total balance was 1.5 billion pounds sterling. Correspondent banks from more than 50 of the world's countries have deposits in its accounts.

In recent years, the Mosnarbank and other Soviet banks abroad have appreciably broadened their credit-calculation operations and correspondent business ties with foreign banks. Thus, the aggregate resources of Soviet banks abroad had tripled in 1976 as compared with 1970, standing at six billion rubles, and joint-stock capital more than quadrupled during that same period.

However, the activity of Soviet banks abroad is often done under complex conditions. The major drop and crisis phenomena in the capitalist economy, the mass bankruptcies of companies and banks, galloping inflation, the fact that a majority of the Western currencies are "free-floating," and the incessant trade and currency wars have created an atmosphere of uncertainty and instability in capitalist markets.

For example, the participation of Soviet banks in international banking consortiums granting the USSR and other socialist countries mid-term financial credit in European currencies has taken on important significance. Such credits are advantageous in that their terms are not linked to any specific companies or suppliers of goods. Foreign trade organizations are therefore free to choose machinery and equipment exportable to ensure the best technical and commercial delivery terms.

Currency bank credits also help mobilize financial resources to carry out long-term cooperation, including that on a compensatory basis. Thus, currency funds were drawn by the International Investment Bank from a consortium of Western banks to build the Orenburg - Western USSR border gas pipeline. The USSR as a whole is implementing upwards of 50 compensatory projects with the help of such credit drawn.

This provides a major economic impact and in time a considerable gain. For example, receipts of freely convertible currency just from natural gas deliveries for export over the time the compensatory agreements have been in effect have been more than \$35 million, much more than the Western credits granted (about \$3 million) to purchase pipe and equipment.

The development of close business cooperation between Soviet banks abroad and the banks of other countries has also borne fruit. Thus, in 1974, Eurobank (sic) and Credit Lyonnais Bank (France) created the "Promoliz" licensing society to grant credit to import equipment to the Soviet Union and other socialist countries. "Promoliz" concluded licensing contracts with a number of Soviet foreign trade organizations which provide an opportunity to acquire equipment without making capital investments.

Another example of advantageous cooperation is the opening of a Mosnarbank representation in Moscow late last year and the simultaneous signing of an agreement between the Mosnarbank and the British Morgan Grenfell and Bank of Scotland, in accordance with which the Mosnarbank will represent the interests of these two British banks in Moscow. Lord Catto, Chairman of the Board of Morgan Grenfell, had high praise for the agreement signed on cooperation to further increase British-Soviet trade. He noted the unique character of that cooperation, which combines the great experience the Mosnarbank has in financing trade between East and West with the experience Morgan Grenfell and Bank of Scotland have in organizing and granting export credits, including those to finance large-scale projects.

It should be stressed that this is the first example in our relations with capitalist countries of sound British banks agreeing with a Soviet bank abroad on joint activity aimed at broadening trade and economic ties between the USSR and Great Britain.

Thus, the activity of Soviet banks abroad is helping to actualize the program outlined by the 25th CPSU Congress to develop the foreign economic ties of the Soviet Union and create a solid material basis for broad international cooperation.

COPYRIGHT: Izdatel'stvo "Radyans'ka Ukrayina", "Pod znamenem leninizma", 1980

11052

CSO: 1825

END

END OF

FICHE

DATE FILMED

3/2/81

